

Why did BoA tell investors to "take profits"?

Warm-up question: Do you think it is smarter to sell investments after a big gain, or hold them for the long term? Why?

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Kai Ryssdal: These are, broadly speaking, **heady days** in the **equity markets**. Record highs practically every time you turn around. Everybody you can think of is filing to go public, and trillion-dollar companies are basically table stakes now.

Kai Ryssdal: However, comma, Bank of America is **singing a different tune**. In a note last week, BofA, which I should tell you advertises with us, said there are, and this is a quote, "too many red flags," end quote, pointing to a market peak, and that it is time to, again I'm quoting because these words matter, "take profits."

Kai Ryssdal: So, Marketplace's Henry Epp gets us going.

Henry Epp: Stock market analysts don't really speak in plain English, so when they recommend investors "take profits"—

James Weston: They're really telling people to sell, but they're trying to do it in sort of a market etiquette way.

Henry Epp: James Weston is with the Rice University Business School. Bank of America declined an interview request. In the report, its analysts offer a couple reasons why now might be the time to sell. One, there are concerning signs in **the real economy**, says Weston.

James Weston: We're seeing worsening fundamentals in consumer spending, we're seeing worsening fundamentals in consumer **indebtedness**, we're seeing a big rise in the price of oil.

Henry Epp: Two, the value of publicly traded companies is really high right now, especially tech companies. Derek Horstmeyer is a professor of finance at George Mason University.

Derek Horstmeyer: When we talk about valuations of companies, we usually measure it based on the price of the company to their earnings, and right now, that's at a very high point.

Henry Epp: Some tech company shares are really expensive given how much revenue they actually generate, which could mean investors are being overly **speculative**, or that the

market is nearing its peak, which is why you have analysts saying it's time to take profits. The problem with **making that call**, says Ben Carlson at Ritholtz Wealth Management, is it's really hard to get right.

Ben Carlson: There have been people who have been trying to call the top on this for 10 years now.

Henry Epp: But the market has just kept rallying. So yeah, this might be the moment the stock market hits its peak, or it might not. Larry Adam is at Raymond James, another Marketplace underwriter.

Larry Adam: So until we've seen major fundamental changes to the economy, to corporate fundamentals, to what the Fed is going to do, we would not recommend making major changes to **a portfolio** right now.

Henry Epp: For those who do think it's time to sell, there's a risk in saying that out loud, says James Weston at Rice.

James Weston: If you tell everyone to sell and everyone sells at once, that triggers a market crash.

Henry Epp: Which is why analysts use language like "take profits." I'm Henry Epp for Marketplace.

Vocabulary and Phrases:

1. **heady days:** an exciting period when people feel confident, optimistic, or overly enthusiastic
2. **equity market:** the stock market; the market where shares of companies are bought and sold
3. **singing a different tune:** expressing a different opinion or attitude than before, or different from others
4. **the real economy:** the part of the economy connected to actual goods, services, jobs, wages, debt, and consumer spending
5. **indebtedness:** the condition of owing money; the amount of debt someone or something has
6. **speculative:** based on risk, guesses, or expectations about the future rather than solid evidence
7. **make a call:** to make a judgment, prediction, or decision about something uncertain
8. **portfolio:** a collection of investments owned by a person, company, or institution

Fill in the Blank Use the correct word or phrase from the vocabulary list.

1. A balanced _____ usually includes different types of assets.
2. Most analysts are optimistic, but one major bank is _____.
3. The _____ has performed strongly this year, especially in large technology companies.
4. It is difficult to _____ about when the market has reached its peak.
5. Stock prices can rise even when parts of _____ are showing weakness.
6. These are _____ for tech investors, with stock prices reaching new highs almost every week.
7. Some investors worry that AI stocks have become too _____.
8. Rising consumer _____ can become a warning sign for the economy.

Comprehension Questions:

1. Why does Bank of America think investors may want to take profits?
2. What does “take profits” really mean in plain English?
3. What warning signs are analysts seeing in the real economy?
4. Why are some tech company valuations considered risky?
5. Why is it difficult to correctly predict the top of the market?

Discussion Questions:

1. Do you think investors should listen when banks warn that the market may be near a peak?
2. Why is it hard to sell an investment when prices are still going up?
3. What signs would make you worry that the stock market is too expensive?
4. Should long-term investors change their portfolios during record-high markets?
5. Why might analysts avoid directly saying “sell” even when they are worried?